



### Latin America Continues To Maintain High Levels of Economic Growth

For the third year in a row, Latin America's economy continued to maintain "very high levels of activity." That is one of the principal findings of the 1970 report *Socio-Economic Progress in Latin America*, published by the Inter-American Development Bank.

In 1970, the Bank study said, Latin America as a whole once more is estimated to have surpassed a 6 per cent annual economic growth rate. In 1968 and 1969, the respective growth rates were 6.3 and 6.5 per cent—far above the expansion of 4.5 and 4.4 per cent of the two immediately preceding years.

The report especially stressed Latin America's ability to mobilize greater domestic resources to speed up its development. "The region as a whole," the survey said, "has been able in recent years to reverse a trend of declining investment and savings coefficients, and the outlook points to a continuing recovery." Internal investment, which in 1967 hit a low of 18.9 per cent of the gross domestic product, rose to 20.6 per cent in 1969, the report noted. This increase represented an average yearly investment growth of 8.6 per cent.

Latin America's per capita product growth rate in 1960-69 also recorded a "sizeable" increase, rising from 1.9 per cent for the first half of the decade to 2.7 for the second half. In 1968 and 1969, 3.2 and 3.5 per cent rates were reached, in contrast with the 1.6 and 1.4 per cent levels of the two preceding years. However, the study noted, compared to other world regions, Latin America's growth was less favorable because of higher population growth rates in most of its countries. In a country-by-country summary of per capita growth, the report had this to say:

- "Seven countries in Latin America—Argentina, Barbados, Bolivia, Brazil, Costa Rica, Mexico and Panama—had average growth rates higher than the regional rate during 1966-69, though with sharp fluctuations in some cases. Argentina, for example, registered a decline in 1966, a slight improvement in 1967, and a strong recovery in 1968 and 1969, when growth rates reached 3.1 and 5 per cent respectively. The situation was similar in Brazil where the rates ranged from 1.7 per cent in 1967 to 5.8 per cent in 1969.

- "Six countries—Colombia, the Dominican Republic, Ecuador, Honduras, Paraguay and Trinidad and Tobago—expanded their per capita product below the regional average, but exceeded the levels they reached in the 1961-65 period. In five other countries—Chile, Guatemala, Jamaica, Nicaragua and Venezuela—the 1966-69 per cap-



*Increasing agricultural production in Panama's rice fields.*

ita product grew more slowly than in the preceding five years, while in the remaining countries—El Salvador, Haiti, Peru and Uruguay—it declined by 0.1 to 1.3 per cent."

Manufacturing continued to account for about one-fourth of the region's gross domestic product in 1969, while construction, mining and electric power output together accounted for slightly less than a tenth.

In agriculture, which provides slightly more than 16 per cent of Latin America's gross domestic product, overall output tended to rise in the last half of the 1960s, but at a slower rate than during the previous five years. During 1966-69 agricultural output grew by 2.3 per cent a year and food production by 2.5 per cent. The comparable figures for the decade's first half were 2.6 and 3.1 per cent.

"Prospects for 1970," the report said, "were quite favorable, even though Brazil gathered one of its smallest coffee crops and despite the damage wrought by hurricanes in some parts of Central America." This sector's importance as a contributor to the regional economy, however, continued to decline, as it has in the last two decades, the report noted, adding:

"As a result, only in Bolivia, Colombia, Ecuador, Haiti, Honduras and Paraguay is agriculture still the largest contributor to GDP. Except in

*(Continued on page 4)*





## LOANS APPROVED UP TO MARCH 31, 1971

(In millions of dollars)

Sectors	Ordinary Capital Resources		Fund for Special Operations		Social Progress Trust Fund		Other Resources		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Industry and Mining	92	\$ 476.2	32	\$ 152.7	—	\$ —	2	\$ 1.7	126	\$ 630.6
Agriculture	37	272.5	76	709.6	26	81.5	1	1.0	140	1,064.6
Electric Power	26	367.8	17	207.6	—	—	3	27.2	46	602.6
Transportation and Communications	20	248.6	28	412.5	2	5.6	6	18.5	56	685.2
Water Supply and Sewage	17	80.6	35	240.7	32	159.9	1	5.0	85	486.2
Urban Development	—	—	15	135.7	32	214.8	—	—	47	350.5
Education	—	—	33	166.3	19	31.3	1	4.3	53	201.9
Preinvestment	2	1.1	48	67.4	5	1.2	8	8.6	63	78.3
Export Financing	15	56.9	—	—	—	—	—	—	15	56.9
<b>TOTAL</b>	<b>209</b>	<b>\$1,503.7</b>	<b>284</b>	<b>\$2,092.5</b>	<b>116</b>	<b>\$ 494.3</b>	<b>22</b>	<b>\$ 66.3</b>	<b>631</b>	<b>\$4,156.8</b>

### Bank Lends \$91.3 Million During First Quarter of 1971

During the first quarter of 1971, the Inter-American Bank authorized loans amounting to \$91,341,037. This sum includes \$88,920,000 in nine individual loans authorized during the quarter and \$2,421,037 in increases in previous loans authorized for export financing. The first quarter loans by source of funds are as follows:

**Ordinary Capital Resources**—Four loans for a total of \$17,320,000:

- \$9,000,000 (together with \$16 million from the Fund for Special Operations) extended to the *Instituto Colombiano de Energía Eléctrica (ICEL)*, Colombia's power corporation, to expand and improve electric power distribution and subtransmission systems throughout the nation. The project will benefit 12 *ICEL* subsidiary utility firms serving 14 of Colombia's 22 departments and will bring electricity to approximately 109,000 new users and provide expanded service to some 160,000 present customers.

#### Disbursements

As of March 31, 1971, disbursements on the 631 loans authorized by the Bank amounted to \$2,219.7 million. This sum represents 53.4 per cent of the total \$4,156.8 million in loans authorized to that date. The following table shows disbursements during the past five quarters.

Quarter Ending	Cumulative Disbursements (in millions of dollars)	Quarterly Increase	Authorizations
March 31, 1970	1,806.3	80.6	52.3
June 30, 1970	1,898.1	91.8	51.4
Sept. 30, 1970	2,014.3	116.2	51.7
Dec. 31, 1970	2,153.4	139.1	52.9
March 31, 1971	2,219.7	66.3	53.4

- \$2,000,000 (together with \$4 million from the Fund for Special Operations) extended to the *Jamaica Development Bank* to help foster small- and medium-scale industries and tourism throughout the island nation. The industrial projects primarily will benefit manufacturing enterprises producing foodstuffs, beverages, building materials, plastics, electrical appliances, textiles, furniture and chemical products. Projects aiding the tourist sector include the construction or expansion of small- and medium-sized hotels and related housing facilities for tourists. Tourism generates some 20 per cent of Jamaica's foreign exchange, and the nation's industrial exports to other Caribbean nations have grown by some 70 per cent since 1968.

- \$5,000,000 extended to the *C.A. Venezolana de Desarrollo (CAVENDES)*, a private financial corporation based in Caracas, to be lent to industries which have relatively low production costs and high export potentials or the ability to replace imports. In 1966 the Bank lent \$3 million to *CAVENDES* for a similar program which has been devoted to the expansion of industries producing metal, chemical and electrical products and durable consumer and intermediate goods throughout Venezuela.

- \$1,320,000 extended to the *Banco do Brasil* will be used to finance the exportation of Brazilian paper-making machinery and equipment to a firm which is constructing a new paper-manufacturing facility in Argentina. The special line of credit is part of a Bank program designed to stimulate the intraregional export of Latin American capital goods and promote regional economic integration.

**Fund for Special Operations**—Five loans for a total of \$71,600,000:

- \$40,000,000 extended to the *Republic of Argentina* to help expand and improve nine national universities and provide financial aid for needy students, particularly in academic fields which contribute to the socio-economic development.

(Continued from page 3)



## Bank's Twelfth Annual Meeting Slated May 10-14 in Lima, Peru

The Twelfth Annual Meeting of the Board of Governors of the Inter-American Bank will be held in Lima, Peru, May 10 to 14.

Antonio Ortiz Mena, the new President of the Bank will deliver his annual address and will formally submit the Bank's annual report to the Board of Governors on Tuesday, May 11, 1971. This year's meeting also will include a Round Table discussion entitled "The Mobilization of Domestic Resources in Latin America." Among the topics to be considered during the two day round table sessions—to be held on Tuesday and Wednesday, May 11 and 12—will be savings and investments problems in Latin America and the continent's capital markets.

The Board of Governors, the Bank's highest governing body, is composed of a Governor and an Alternate Governor of each of the Bank's 23 member countries. The Governors generally are either the Ministers of Finance or Economy or the Presidents of the Central Banks of their respective countries.

## Bank Lends . . .

(Continued from page 2)

ment of Argentina. The Bank-financed program includes the construction of classroom and laboratory buildings for teaching and research in such priority fields as the basic sciences, agronomy, engineering and social and economic studies; the construction or expansion of infrastructure facilities at the various universities; the purchase and installation of modern instructional materials and equipment, and the provision of financial aid to students.

- \$7,000,000 extended to the *Catholic University of Chile*, the country's third-largest university, to build and equip classroom and library facilities, expand the teaching staff, provide assistance to students and finance technical assistance to improve the school's administration and academic organization. The project is the first stage of a ten-year development plan which will enable the university to double its enrollment to 15,000 undergraduate and 2,000 graduate students by 1977.

- \$4,600,000 extended to the *Universidad Austral*, a private school located in Valdivia, Chile, to help finance the first stage of the university's 1970-80 development plan. The program which calls for a wide variety of physical and academic improvements, will enable the university to make a more effective contribution to Southern Chile, one of the nation's less developed regions, by training increased numbers of professionals, particularly in technical and scientific fields. As a result of this expansion program, it is estimated that the school will be able to increase its student enrollment from 1,400 to more than 3,500 by 1975.

- \$16,000,000 (together with the previously described \$9 million loan from the ordinary capital resources) extended to the *Instituto Colombiano de Energía Eléctrica (ICEL)*, of Colombia, to expand and improve electric power distribution and subtransmission systems primarily serving small communities in 14 of Colombia's 22 departments. The program includes the installation of 1,000 miles of subtransmission lines, the construction of 17 transmission substations and the construction or improvement of distribution systems reaching 127 cities and towns.

- \$4,000,000 (together with the \$2 million from the ordinary capital resources) extended to the *Jamaica Development Bank (JDB)*, to help promote the development of the nation's economically important tourist and industry sectors. Despite the fact that the number of tourists visiting Jamaica rose by 50 per cent during the 1965-69 period, the island's tourist lodging capacity increased by only 38 per cent in the same period. The *JDB's* program will focus primarily on low-cost tourist facilities, will help to alleviate the situation. In the industrial area, the program will seek to increase Jamaica's trade with the other members of the Caribbean Free Trade Association.

## Universities Join Bank in Offering Development Banking Programs

Two universities, one in Brazil and another in the United States, have joined the Inter-American Bank in sponsoring advanced studies in development banking designed to benefit Latin American professionals working in the field.

The first of the two agreements was reached with American University in Washington, D.C., to help finance a post-graduate program in development banking for Latin American economists and staff members of development institutions in the Bank's member countries. Some 30 professionals will be involved in the program.

Courses will be offered at the American University campus twice during the 1971-72 academic year, and the topics to be covered include project evaluation, development financing and capital markets, and the analysis of business financing. Students who complete the courses will receive post-graduate credit and a certificate of completion. The American University program marks the first time the Bank has participated with a university in the United States in academic training for Latin Americans.

The second program is to be carried out by the University of São Paulo's Institute for Economic Research during the second semester of 1971 and throughout the 1972 academic year. With goals similar to those of the American University program, the Brazilian project will consist of two intensive, 12-week sessions to be offered for 50 professionals from Brazil's development banks in fields directly related to their work, and a nine-month post-graduate course leading to a master's degree in economics, with a specialization in development banking.



## Bank Places Bond Issues Totaling \$31.7 Million in Europe

During the first quarter of 1971, the Inter-American Bank placed bond issues in the capital markets of Switzerland and France amounting to the equivalent to \$31.7 million.

On February 9, 1971, a group of Swiss banks made a public offering of 60 million Swiss francs (equivalent to approximately \$13.7 million) of the Inter-American Bank's 6¾ per cent, 15-year bonds in Switzerland. This issue is the third long-term issue which the Bank has placed in Switzerland and brings the total Bank borrowings in Switzerland to \$38.9 million.

The offering was underwritten by a banking group headed by the Union Bank of Switzerland, the Swiss Bank Corporation, and the Swiss Credit Bank.

The issue, known as "6¾ per cent Swiss Francs Bonds of 1971," was dated February 25, 1971, and will mature on February 25, 1986. The interest will be payable annually on February 25. In each of the years between 1981 and 1985, up to 10 million Swiss francs nominal amount of the bonds are scheduled to be repurchased at or be-

low par during the 60-day period preceding the coupon date. The Inter-American Bank has the right to redeem all of the bonds at par on February 25, 1981, or any subsequent interest payment date.

Also during the first quarter of 1971—on February 22—the Inter-American Bank entered the French capital market for the first time with the placement of a bond issue amounting to 100 million French francs (equivalent to \$18 million).

On February 2, 1971, the Government of France authorized the Bank to sell bonds amounting to 200 million francs (equivalent to \$36 million) in its capital market over the next two years.

The bonds bear 8½ per cent interest and a maturity of 18 years, with a two-year grace period. The issue was offered for sale by a banking syndicate headed by *Lazard Frères & Cie.*, which includes the *Banque de Paris et des Pays-Bas*, *Crédit Lyonnais* and the *Banque Nationale de Paris*.

## Latin America's Economic Growth Continues . . . .

(Continued from page 1)

Bolivia, its participation in these countries is still greater than 30 per cent. In Central America—except Honduras—and in the Dominican Republic and Bolivia, this sector's share of GDP ranges from 20 to 30 per cent. It is 10 to 20 per cent in Argentina, Barbados, Brazil, Mexico, Peru and Uruguay, and less than 10 per cent in Chile, Jamaica, Trinidad and Tobago, and Venezuela."

The growth in value of Latin American exports in the 1966-69 period was not uniform, the report said. After a 6.4 per cent gain in 1966, there was a decline of 0.3 per cent in 1967, primarily due to poor export-sector gains in Argentina, Brazil and Mexico. However, the following two years saw a recovery, rising to 4.6 per cent in 1968 and to 10.4 per cent in 1969. According to estimates, the region's exports in 1970 did not surpass 1969 levels.

Latin America's balance of payments situation in the second half of the decade showed "significant strength, recording positive basic balances in all years," the report said. International monetary reserves increased over the period by \$1,250 million, reaching a level of \$4,475 million by the end of 1969, and preliminary data for 1970 also indicates further improvement.

"These favorable results," it explained, "prevailed even though Latin America's traditional merchandise trade surplus continued to decline in 1966-69, while the deficit on the services account tended to increase. The combination of both trends resulted in growing deficits on current account; however, net long-term capital inflows to

the region, especially to the private sector, were sufficient not only to finance these deficits but also permitted the appreciable increase in international monetary reserves."

In emphasizing the role of external assistance to Latin America, the report said this type of assistance "improved significantly" in the last few years, especially when compared with the stagnation that occurred in 1961-65 period and the slump of the following year.

The 1969 increase of 5.1 per cent, though much smaller than that of 26 per cent in 1967 and 35 per cent in 1968, pushed the aggregate flow of resources to the region to a record level of nearly \$2.5 billion, the survey noted, adding: "However, because of the increase in the net flow of official and private external assistance to developing countries as a whole, Latin America's share of the total in 1966-69 was again about 16 to 17 per cent, virtually unchanged from the 1961-65 period."

In regard to U.S. and multilateral assistance for the region, the report said that the "broad outlook for 1970 appears encouraging." Total development loan commitments during the first three quarters of 1970 stood at \$1,422 million, which compares very favorably with the \$907 million committed in the same period in 1969.

The Inter-American Bank, for example, which is now the region's largest source of external public financing, increased its total of loans approvals from \$631.5 million in 1969 to \$644 million in 1970.